



# 6<sup>th</sup> SOUTH EAST EUROPE CORPORATE GOVERNANCE ROUNDTABLE

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## *Enforcement of Corporate Governance Rules*

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**Session 2: Enforcement of Corporate Governance Rules –  
Role of Securities Regulators**  
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## **The main powers and activities of The Bulgarian Financial Supervision Commission and the role of the FSC in the enforcement of corporate governance in Bulgaria.**

The Financial Supervision Commission was established on March 1st, 2003 under the Financial Supervision Commission Act. The Commission has 3 departments – Insurance Supervision Department, Social Insurance Supervision Department and Investment Activities Supervision Department. The primary function of the institution is to assist through legal, administrative and informational means for the maintenance of stability and transparency on the investment, insurance and social insurance markets.

The Commission has at its disposal the following tools for implementation of its objectives:

### **1. Powers for legislative initiative.**

The Commission's regulatory activity includes drafting and adoption of regulations and instructions provided for in the legislation, issuance of guidelines and instructions regarding the implementation and interpretation of the Law on Public Offering of Securities /LPOS/.

- the FSC elaborates drafts for changes and amendments in the Law of public offering of securities and the Financial Supervision Commission Act.

- The legislative powers of the FSC include also the power to adopt the bylaws for the implementation of the LPOS. In December 2003 The FSC issued Ordinance # 2 for the prospectuses at public offering of securities and for disclosure of information by the public companies and the other issuers of securities.

### **2. Preliminary control over the participants' admission to the market through the licensing regime.**

In its licensing activity the Commission examines the documents that have been attached to the applications in view of their compliance with the regulatory requirements. It is being established whether all the required documents and data have been provided and whether the legal limitations to certain licensing proceedings have been complied with.

### **3. The power to control the activities of participants that have already been admitted to the market.**

The FSC is entitled to monitor the compliance of the supervised entities with the legal requirements, the companies' financial status and the reliability of information that they provide.

The Commission's supervisory activity is being carried out through off-site supervision and on-site examinations of the licensed market participants' activity.

The purpose of FSC's controlling activity is prevention and termination of legal violations in view of ensuring protection of the interests of investors.

#### **4. The power to impose sanctions upon establishment of violations**

The Commission and the Vice Chairman in charge of the Investment Activities Supervision Department has the right to implement administrative enforcement actions. Upon establishment of a violation by the supervised entities the Commission imposes coercive administrative measures. They include the issuance of recommendations with respect to the adoption of specific actions, fines or penalty payments.

#### **5. Educational activities**

In order to train all key players in the corporate governance field the FSC has developed an education program for the:

- the best practices on the on corporate governance;
- fighting financial crimes;
- investors education